

ASSEMBLY BILL

No. 1488

Introduced by Assembly Member Wyland

February 22, 2005

An act to add and repeal Sections 18154 and 24996 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1488, as introduced, Wyland. Income and corporation taxes: capital gains.

The Personal Income Tax Law and the Corporation Tax Law provide that gain or loss upon the disposition of a capital asset is determined by reference to the adjusted basis of that asset.

This bill would provide that, for each taxable year beginning on or after January 1, 2006, and before January 1, 2011, gross income does not include any gain from the sale or exchange of a capital asset, as defined, that qualifies as a new equity investment, as defined, and held for more than one year.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 18154 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 18154. (a) For each taxable year beginning on or after
- 4 January 1, 2006, and before January 1, 2011, gross income shall
- 5 not include any gain from the sale or exchange of a capital asset,

1 as defined by Section 1221 of the Internal Revenue Code, that
2 qualifies as a new equity investment and is held for more than
3 one year.

4 (b) For purposes of this section, “new equity investment”
5 means any new purchase on or after January 1, 2006, and before
6 January 1, 2011, of an interest in, or the assets of, a sole
7 proprietorship, partnership, or corporation whose principal
8 activities are located in this state.

9 SEC. 2. Section 24996 is added to the Revenue and Taxation
10 Code, to read:

11 24996. (a) For each taxable year beginning on or after
12 January 1, 2006, and before January 1, 2011, gross income shall
13 not include any gain from the sale or exchange of a capital asset,
14 as defined by Section 1221 of the Internal Revenue Code, that
15 qualifies as a new equity investment and held for more than one
16 year.

17 (b) For purposes of this section, “new equity investment”
18 means any new purchase on or after January 1, 2006, and before
19 January 1, 2011, of an interest in, or the assets of, a sole
20 proprietorship, partnership, or corporation whose principal
21 activities are located in this state.

22 SEC. 3. This act provides for a tax levy within the meaning of
23 Article IV of the Constitution and shall go into immediate effect.